

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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|---|---|------------------------|
| In re:                                    | ) | Case No. 12-12020 (MG) |
|   | ) |                        |
| RESIDENTIAL CAPITAL, LLC, <u>et al.</u> , | ) | Chapter 11             |
|   | ) |                        |
| Debtors.                                  | ) | Jointly Administered   |
|   | ) |                        |

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**DECLARATION OF RONALD M. FARIS OF OCWEN LOAN  
SERVICING, LLC IN SUPPORT OF DEBTORS' SALE MOTION**

I, Ronald M. Faris, declare as follows:

1. I am the Chief Executive Officer, and President of Ocwen Financial Corporation (“OCN”), the ultimate parent of Ocwen Loan Servicing, LLC (“Ocwen”), a party to the Asset Purchase Agreement (the “APA”) between Ocwen and Residential Capital, LLC (“ResCap”), GMAC Mortgage, LLC, Executive Trustee Services, LLC ETS of Washington, Inc. EPRE LLC, GMACM Borrower LLC and RFC Borrower LLC (collectively, the “Debtors”). I am also a member of the Board of Directors of OCN, a publicly-traded financial holding company (**NYSE:OCN**). I have been employed by Ocwen and/or its affiliates since March 1991.

2. I am authorized to submit this Declaration in support of the Debtors’ Sale Motion. If I were called to testify as a witness in this matter, I would testify to the facts set forth herein which are made to the best of my personal knowledge, information and belief.

3. I understand that, as part of the sale process, the Debtors must demonstrate Ocwen’s financial wherewithal to consummate the transaction contemplated by the APA. I also understand that, in connection with the assumption and assignment of contracts to Ocwen as

contemplated by the APA, the Debtors must provide adequate assurance of the future performance of such contracts by Ocwen. Ocwen has the financial wherewithal and operational capacity to perform its obligations under the APA and the contracts that are to be assigned to Ocwen pursuant thereto.

*Financial Wherewithal*

4. OCN has a market capitalization of over \$ 4.7 billion as of November 9, 2012.

5. Ocwen's September 30, 2012 balance sheet reflects a liquidity position, as measured by unencumbered cash plus unused collateralized financing capacity, of \$464.2 million, comprised of \$270.5 million in cash and \$193.7 million of available credit.

6. Attached to this Declaration as Exhibit 1 is a forecasted balance sheet as of the expected closing date that sets forth a list of expected sources of funds required for closing of the APA. In addition to corporate cash, Ocwen has obtained financing commitments from Barclays Capital Inc. and Barclays Bank PLC totaling \$2.7 billion for its consummation of the transactions contemplated by the APA. These commitments were delivered to the Debtors in connection with the Auction. As shown on Exhibit 1, the projected aggregate borrowings for this transaction are less than the total amount of commitments.

7. As further shown on Exhibit 1, Ocwen's sources of funds also include \$525 million (adjusted for projected rundown) that Ocwen is receiving from its bidding partner, Walter Asset Management Corporation ("Walter"), as consideration for certain assets that Walter has agreed to purchase, including the servicing rights to \$50 billion of Fannie Mae loans and the Debtors' lending and capital markets businesses.

8. Although Ocwen does not contemplate needing to raise additional equity to close the APA, its successful track record in accessing capital markets for financing acquisitions is noteworthy. This track record includes not only raising equity, but also asset sales, unsecured debt, trust preferred, senior syndicated term loan (“SSTL”) and convertible debt transactions, as follows:

- On March 5, 2012, Ocwen received approximately \$139 million from Home Loan Servicing Solutions, Ltd. (“HLSS”) on the sale of receivables for servicing fees and advances relating to the servicing of loans with an aggregate unpaid principal balance (“UPB”) of approximately \$15.2 billion. From May through September, 2012, Ocwen has completed four more similar servicing asset sales to HLSS. To date, Ocwen received total proceeds of \$1.2 billion from transactions with HLSS.
- In November 2011, OCN raised \$375 million of equity in connection with the acquisition of substantially all of the assets of Saxon Mortgage (“Saxon”) from Morgan Stanley and a portfolio of mortgage servicing rights from JPMorgan Chase Bank, N.A.
- In September 2011, OCN raised \$575 million through an SSTL to fund the acquisition of Litton Loan Servicing LP (“Litton”).
- In July 2010, OCN raised \$350 million through an SSTL to fund the acquisition of HomEq Servicing (“HomEq”). The SSTL for the HomEq acquisition was paid in full in June 2011, more than four years before its maturity.

#### *Assurance of Future Performance*

9. As a leader in the mortgage loan servicing industry with over 25 years experience, Ocwen has the requisite ability, expertise and capacity to discharge all obligations under the servicing agreements being assigned to it under the APA.

10. Ocwen and its affiliates employ over 4,600 people. Ocwen’s loan servicing portfolio consists of approximately 800,000 mortgage loans with an aggregate UPB of over \$127 billion spread across approximately 1,400 servicing agreements.

11. Ocwen holds all the necessary licenses and qualifications to service the loans under the assigned servicing agreements.

12. Ocwen is recognized as a quality servicer of mortgages by numerous independent industry experts, including the following:

- a. Morningstar Credit Ratings (September 2012) – Ocwen received the highest ranking. MOR RS1, noting that it “exceeds prudent loan servicing standards in key areas of risk.”
- b. Deutsche Bank (January 2012) – “Our credit analysis on key loss mitigation and risk measures indicates that Ocwen has had successful servicer practice following its acquisition,” “Ocwen has been successful in reducing delinquency rates on newly acquired servicing portfolios,” “Ocwen has been successful in reducing loss severities on newly acquired servicing portfolios,” “Ocwen has managed to outperform its peers on loan modifications.”
- c. Moody’s (October 2011) – Ocwen outranks Chase, Wells Fargo, GMAC and Bank of America in generating cash flow from non-performing loans as well as has the shortest timeline of foreclosure referral to foreclosure sale.
- d. J.P. Morgan (July 2010) – Ocwen was ranked first in Quality Rank, which considers the re-default rate for loans modified.
- e. Deutsche Bank (June 2010) – Ocwen was ranked first in a measure called “Recovery Score,” which evaluates the results of short sales and real estate owned sales based on the timeline to liquidate and loss severity.
- f. Freddie Mac (August 2009) – Ocwen is hired by Freddie Mac to perform special servicing and interim servicing on non-performing loans.
- g. Bank of America/Merrill Lynch (July 2009) – Ocwen had the highest roll rate from 90+ delinquent to current on both fixed rate and adjustable rate subprime loans. Ocwen’s results were more than double the midpoint for all servicers reported.
- h. Credit Suisse (September 2008) – Ocwen had the highest payment rate of all servicers on 90+ delinquent loans for 2006 vintage subprime loans. Ocwen’s payment rate was more than double the midpoint of all servicers reported.

13. Ocwen has initiated, and will continue to pursue, steps necessary to ensure that the loans relating to the servicing agreements to be assigned to Ocwen will continue to be serviced in accordance with the requirements of those agreements and best industry practices. As part of the transaction, Ocwen and Walter have committed to retain the vast majority of ResCap's current personnel and operations. Additionally, Ocwen has available to it and intends to make available at ResCap's servicing locations information technology systems, developed by or in conjunction with Ocwen over the course of 20 years, that are robust, scalable and are specifically designed for high volume, "high touch" loan servicing.

14. Ocwen has substantial experience with the successful integration of large servicing platforms and is not "breaking new ground" with its integration of the ResCap servicing platform. Over the last three years, Ocwen successfully has completed the integration of large servicing transfers, including the integration of the servicing platforms of and/or loans serviced by HomEq, Litton, Saxon, JP Morgan Chase ("Chase") and other transfers of large volumes of mortgage servicing rights in connection with various acquisition transactions. The Litton transaction involved the boarding of over 240,000 loans, of which approximately 80,000 were delinquent. The Saxon and Chase boardings, which occurred at about the same time, involved the transfer of over 100,000 loans in the aggregate.

15. Ocwen is widely recognized in media and community advocacy circles as a leader in foreclosure prevention through loan modifications, particularly those involving principal reductions, that are designed to provide affordable resolutions for homeowners in distress and net present value positive results for loan investors.

16. Prior to the Auction, Ocwen entered into a Joint Bidding Agreement with Walter pursuant to which Ocwen and Walter agreed jointly to bid on the Debtors' assets at the

Auction. That Joint Bidding Agreement was disclosed to the Debtors in connection with the submission of Ocwen's bid. Ocwen did not collude with any bidder or potential bidder to control or manipulate the sale price at the Auction.

17. The APA was negotiated by Ocwen and Walter in good faith and at arm's length.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 12, 2012



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Ronald M. Faris